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C O N F I D E N T I A L DHAKA 000685

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SUBJECT: BANGLADESH - THE GOOD, THE BAD AND THE UGLY

Classified By: Ambassador Patricia A. Butenis; reason 1.4(d)

¶1. (C) Summary: The interim government formed following the January 11 declaration of the State of Emergency has pursued an aggressive agenda of political and economic reform coupled with an anti-corruption campaign and institutional change all designed to create conditions conducive to free, fair, credible and transparent elections and a return to elected democracy. Three months into its indefinite term of office, the Caretaker Government (CTG) can claim some important successes, despite some embarrassing blunders. Continued restraints on civil and political liberties and a mixed record on safeguarding human rights, however, threaten to undermine the government's reputation, while the military continues to play a significant role behind the scenes. End Summary.

#### Noteworthy Accomplishments

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¶2. (U) Caretaker Government: President Iajuddin's resignation as Chief Advisor (under pressure from the military) initiated the complete reconstitution of the CTG under new Chief Advisor Fakhruddin Ahmed and ten new advisors generally accepted as politically neutral. The change addressed a key opposition demand for a neutral Caretaker Government.

¶3. (U) Elections: The donor community, principally the UNDP, is working closely with the Election Commission on its reform agenda. The CTG has moved to address the principal objections raised by opponents of the January 22 elections. The dysfunctional and politically charged Election Commission was replaced with three new commissioners generally recognized as competent and neutral. The new EC announced a two phase, 18-month program to address the highly contentious voter list revisions, including a photo identification element. Election reforms are proposed to improve financial transparency and encourage internal political party reform. Allegedly partisan local election officials appointed at the end of the previous government will be tested for their knowledge of election laws.

¶4. (U) Corruption: Bangladesh acceded to the UN Convention Against Corruption. The CTG reconstituted the Anti-Corruption Commission (ACC) with an activist Chairman. Long-pending ACC regulations were adopted. Cases were initiated against major political and business leaders with notorious reputations for corruption. The Chairman, however,

complained of a lack of staff to do the job. The ADB is reengaging to renew technical assistance and support. Further amendments are in draft to strengthen the ACC and rectify organizational weaknesses. Lesser officials in the police and civil service were arrested after demanding bribes for services. Anecdotal evidence suggests civil servants are beginning to get the message, actually refusing proffered bribes.

¶15. (U) Counter-terrorism: The Rapid Action Battalion with support from the intelligence services continues to track, investigate and arrest leaders and foot soldiers of Jamaat'ul Mujahedin Bangladesh (JMB). The death sentences of the six convicted leaders of the Shuria council were carried out in late March. The CTG has announced its commitment to pursue anyone who provided financial support or political protection to the JMB.

¶16. (C) Rohingyas: After chronic neglect by the previous government, the CTG is reengaging on the Rohingyas issue. Interest was spurred by a personal visit to the camps by Adviser Tapan Chowdhury, accompanied by UNHCR. Foreign Affairs Adviser Iftekar Chowdhury reportedly will raise the issue during a trip to Burma, while UNHCR sees sufficient progress to warrant reengagement on repatriation discussions.

¶17. (U) Judicial Reform: The CTG has vowed to complete the long-delayed separation of the lower courts from the executive branch. Implementing rules were submitted to the Supreme Court and returned for further revision, which the government must complete by the end of May.

¶18. (SBU) Economy: The IMF and World Bank both report continued macroeconomic stability and progress toward reforms, while cautioning that economic growth will be lower for FY 2007. Privatization of the first of four nationalized commercial banks (a key IMF goal) is nearly complete. Remittances are expected to cross \$5 billion for the fiscal year ending June 30.

¶19. (U) Tax Enforcement: The National Board of Revenue has stepped up tax enforcement with more targeted investigations against individuals and businesses with significant discrepancies between reported income and known assets and expenditures. The revenue impact is moderate but voluntary compliance has improved. Increased attention to customs fraud led to widespread abandonment of luxury vehicles and limited improvement in compliance.

¶10. (U) Energy: The CTG has raised electricity and fuel prices to reduce government subsidies, although further increases are needed, if politically difficult. The CTG opened discussions with India on cross-border power transmission. Major markets now close at 7 pm to conserve electricity and minimize rolling blackouts. The government has prepared a comprehensive energy plan (currently before the Council of Advisers) for its coal, natural gas and power sectors to address long-term energy needs. The CTG is renewing negotiations with US and other investors for large power plants and is retendering for small, independent power producers (10-40 MW plants).

¶11. (U) Chittagong Port: The country's primary port is fully operational. The government completed a previously blocked privatization of port management and added shifts to increase capacity. Ship turnaround is near optimal operational limits. Addressing corruption and ending inefficiencies reduced total cargo handling costs by more than 50%.

#### Spotty Performance

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¶12. (C) Mishandling the Begums: The CTG's efforts to isolate Khaleda Zia and Sheikh Hasina (supported by senior party leadership) escalated from gentle persuasion (perhaps contributing to Hasina's departure), through subtle pressure, to thinly disguised coercion and a questionable legal ban on

Hasina's return. The stubbornness of the "two begums" has confounded the government and pushed it into a public relations quagmire that may yet unravel its plans for political reform and has already led it on April 25 to publicly announce Hasina's right to return to and Zia's freedom to remain in Bangladesh.

¶13. (C) Advisers Overstretched: The constitutional caretaker government structure was not designed to serve as a fully functioning long-term interim government. The Chief Adviser plus ten advisers structure is too thin at the top to manage the government's nearly 50 ministries and institutions. Institutional decision-making paralysis at the end of the previous government meant advisers were quickly overwhelmed addressing chronic and acute issues within their portfolios. The CTG has yet to find a constitutional solution to permit additional ministerial level appointments to manage the day-to-day business of government. Coordination within the government is uneven, with Advisers sometimes contradicting one another in their public statements.

¶14. (U) Election Timing: Despite progress planning for elections, much work remains. See septel.

¶15. (C) In the "Crossfire": After the state of emergency there was a 16% drop in the monthly average number of deaths caused by law enforcement officials. Of the total monthly average number of "crossfire" deaths, those attributed to the Rapid Action Battalion stayed constant, the rate of police involvement fell, but deaths caused by the military, which assumed a law enforcement role in arresting people charged with corruption and other crimes, more than doubled.

¶16. (C) Avian Influenza: Confronted unexpectedly with its first avian influenza outbreak, the CTG was at first slow to react but has since become more open and willing to accept international advice and assistance. Coordination and implementation within the government remain uneven.

¶17. (U) Slum Clearance; Zealous Regulatory Enforcement: The CTG's early efforts to rein in "land grabbers" were quickly marred by its decision to level slums and makeshift shops on public lands and right-of-ways. Equally unpopular was its "bulldoze first, examine permits later" approach to building code and zoning violations, which while popular when targeted against chic shops in the wealthy diplomatic quarter, quickly lost favor when applied to village markets. Learning from its mistakes, the CTG has since adopted a more reasoned approach to these issues.

#### Areas for Improvement

¶18. (U) State of Emergency: The January 11 State of Emergency remains in effect providing the legal basis for curtailing the full range of civil and political liberties. Its duration is not constitutionally limited and the government has given no indication when it might be lifted. Amendments to rules implementing the State of Emergency were applied retroactively in many instances.

¶19. (C) Political Activity Ban: The government's initial ban on political demonstrations and other outdoor political gatherings or protests was later expanded to include all political activity. The ban has prevented the parties from beginning the process of internal political reform and has stifled consultations on election reforms and other issues, although the Election Commission has maintained quiet contact with the parties, which has enabled consultation and initial agreement on proposed election rules. The ban may be lifted or relaxed in May, according to the Chief Advisor and press reports.

¶20. (C) Press Intimidation: The CTG has allowed the media to continue to operate but has used varying degrees of intimidation and outright restrictions under the authority of emergency rule to mute or censor coverage critical of the government. Reporters have "minders" who shadow their

movements and routinely call or SMS message the reporters with "advice" on stories to report or suppress and the tone of the coverage. Occasionally, the CTG bans coverage of specific events, such as Hasina's statements in reaction to the government's announced ban on her return to Bangladesh, although press coverage critical of COAS Moeen's two March speeches was allowed. (Comment: On April 25, the Chief Advisor's Press Spokesman, Fahim Munaim (please protect), told Ambassador the CTG informed COAS Moeen of their objections to these practices and he advised the CTG it would stop. Embassy will continue to monitor. End Comment.)

¶21. (C) Custodial Deaths: Civilian and military officials, in response to USG and international pressure, initially curbed "custodial deaths" and abusive treatment of detainees, but subsequent incidents indicate a new rise in cases. Investigations, when conducted, generally lack transparency and credible results.

¶22. (C) Arrests & Detentions: Confusion and controversy have surrounded the number of arrests since January 11, with the CTG insisting the 130,000 plus arrests are consistent with normal arrest rates and that 75 percent of the arrestees have been released on bail or after adjudication while human rights organizations assert the average daily arrest rate is now at least one-third higher than normal. The Home Secretary has said that the government is now executing

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arrest warrants stayed by the previous government for political reasons.

¶23. (C) Questionable Due Process: The sheer scope of corruption and its penetration into senior political and business elites tempted the CTG into dubious arrests. Charges ranging from petty liquor law violations to "Al Capone" style allegations of extortion and tax evasion were filed against prominent figures to detain them while the government investigates and frames the main event corruption charges. Material witnesses have been held incommunicado or threatened with charges to "encourage" their cooperation in investigations.

¶24. (C) Judicial Complicity? Although lower courts have overturned government limitations on bail rights, the Supreme Court has repeatedly stayed the orders pending review.

¶25. (C) While constitutionally acting "in support of the civilian government," the military retains significant influence on key political decisions. Retired military officers hold positions among the advisers, the Anti-corruption Commission and the Election Commission. Ninth Division Commander Maj. Gen. Masud Uddin Chowdhury is the Chief Coordinator of the National Coordination Committee on Combating Grave Offenses established to coordinate the work of the regional and local joint task forces (themselves composed of military and civilian elements) investigating allegations of corruption, serious crimes and abuse of power. At the CTG's request, the procurement offices of the military are supporting efforts to select equipment and standards for preparing the voter list and national identity cards.

¶26. (C) The military actively recruited both Chief Advisor Fakhruddin and most, if not all, of the Council of Advisors. Active and retired military officers were involved in negotiations to "persuade" Khaleda Zia to leave Bangladesh. The military has courted Nobel laureate Dr. Mohammad Yunus to enter politics and has quietly approached politicians from both major parties to encourage support for political reform and possible defections from their existing parties. COAS Moeen's two public speeches in March fueled speculation about his political ambitions, including rumors he denies that he wants to succeed President Iajuddin when the President's term expires in September. Other rumors, also denied by senior military leaders, postulate a national unity government, "king's party," national referendum, or, more darkly, a coup or martial law. COAS Moeen, however, has stated to the

Ambassador that martial law will not occur while he leads the Army.

Comment

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¶27. (C) The international and donor communities have engaged the CTG as it fulfills its pledge to return Bangladesh to elected government as soon as possible. We have also quietly (both publicly and privately) criticized mistakes, disturbing trends and human rights violations, even though sensitivity to foreign comment and perceived interference remains high.

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